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Japan Reduces Telecommunications Equipment Standards

In what U.S. negotiators termed a surprising move, Tokyo has agreed to eliminate many of the technical standards for customer-premise equipment, often called telecommunications terminal equipment. The decision has impressed both government and industry observers. According to U.S. negotiators, "equity will exist in the regulatory process," and an industry association official told the press he now expects sales of American equipment to increase ten-fold. Ministry of Posts and Telecommunications (MPT) officials dropped the voice quality and signal strength standards in an effort to settle one of the high-visibility issues straining bilateral relations.

Of the 30 technical items distributed among 20 articles, MPT has agreed to delete all of nine and part of one in the following areas:

- Answering functions, including strength and length of ring.

Miyazawa plan could indicate not only a shift in attitudes toward economic policies, but also toward the LDP leadership.

Michael Chinworth

Japanese Workers Harvest Higher Wages from Spring Negotiations

A true sign of spring in Japan is the annual round of industry-wide wage negotiations. This year's shunto (spring offensive) has yielded higher wage offers than 1984's, not surprising given the strong growth of corporate profits and productivity over the past year. Government and private analysts have watched the negotiations with particular interest because of their effect on consumer spending -- the largest component of domestic demand and the sector where growth has been disappointingly sluggish (see JEI Report No. 12B, March 29, 1985).

The wage drive actually begins in December when the major Japanese unions arrive at a target figure for wage increases. The Sohyo (General Council of Labor Unions), Domei (Confederation of Labor), Shin Sanbetsu (Congress of Industrial Unions) and Churitsu-Roren (Federation of Independent Unions) set an average 7 percent increase as their 1985 goal. Many union members sought an even bigger hike as the opening position, citing the 15 percent-plus growth of corporate profits in 1984. The 7 percent level was adopted, however, because it was said to be more "realistic." The unions have taken a beating in the past when they have championed large increases.

Management staked out its opening position a month later as Keidanren (Federation of Economic Organizations) and Nikkeiren (Japan Federation of Employers' Associations) issued the annual reports on business conditions that form the foundation for wage offers. In a somewhat unusual move, many firms hedged their statements regarding initial wage offers, concentrating instead on the fragile nature of the recovery due to its reliance on foreign trade. Similarly, they argued that competition from South Korea, Taiwan and Hong Kong, as well as China and Brazil, required continued wage moderation. Nevertheless, industry realized that this was not the time to be miserly when profits were high and consumer demand weak. Moreover, the government favored heftier wage hikes to boost domestic demand and relieve some of the pressure for stimulative fiscal policy.

As the two-month negotiations got underway at the beginning of April, it was quickly clear that this would be a much better year for labor than 1984. The pace-setting unions -- those representing workers in the steel, railroad, automotive and electric machinery industries -- received significantly higher offers. The five major steel makers offered an average 3.87 percent increase compared with 3.11 percent last year, translating into a Y9,000 ($36 at Y250=$1.00) jump in monthly pay; private railway workers accepted a 5.64 percent increase after rejecting an initial offer of 5.42 percent; Toyota Motor Corp.'s 5.53 percent raise and Nissan Motor Co., Ltd.'s 5.4 percent bid were nearly half a percentage point above 1984's settlements; and fourteen major electric machinery firms offered increases of 5.5 percent, 0.8 percentage point above 1984's raises.

The pattern of increases runs across all industries; even the chronically depressed shipbuilding and paper companies improved their offers over last year (see table). The strength of the high technology sector is evident from offers by its component industries. The outlook for an overall average increase above 5 percent is strong, compared with 4.54 percent last year.

Improved wages will undoubtedly help spur consumer spending and strengthen domestic demand. In turn, demand for imports is expected to increase and the economy's dependence on exports will be reduced. The residential housing and retail sectors, two areas highly sensitive to consumer moods, have reported improved business conditions and are increasingly optimistic. A revival of consumer spending would be welcome news, especially to fiscal authorities.

Jon Choy

Japanese Wage Offers for 1985*

(average monthly wage increase in yen)

Industry	1985		New Monthly Standard Wage	1984	
All Companies	Y10,859	5.08%	Y213,424	Y9,359	4.54%
Large Companies	10,868	5.08	213,598	9,358	4.53
Small Companies	9,944	5.10	194,687	9,504	4.87
Energy	11,350	4.82	235,494	10,037	4.33%
Metals	8,950	3.93	227,428	6,998	3.21
Electronics/Electrical	10,684	5.46	195,660	9,543	4.99
Information	12,511	5.64	221,557	13,264	5.41
Machinery	11,366	5.25	216,345	9,878	4.74
Motor Vehicles	10,934	5.43	201,203	9,331	4.83
Shipbuilding/Defense	9,006	4.00	225,042	7,037	3.23
Chemicals	10,920	4.68	233,103	10,415	4.63
Textiles/Paper	10,124	5.21	193,991	8,531	4.53
Food	10,500	4.70	223,026	10,380	4.77
Transportation	11,395	4.86	234,319	10,126	4.51
Services/Leisure	11,689	5.35	218,188	10,618	5.22
Housing/Construction	10,766	4.88	220,512	9,454	4.65
Consumer Retailing	9,970	5.28	188,836	8,755	4.67

*Based on offers and settlements by 782 companies as of April 12, 1985.

Source: Nihon Keizai Shimbun, April 17, 1985.

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The views expressed in this report are those of the authors and do not necessarily represent those of the Japan Economic Institue.

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1983	1984	January-March 1984	January-March 1985	January 1985	February 1985	March 1985
Japan's Balance of Payments							
Trade Balance	$31,454	$44,351*	$7,593	$8,957*	$1,455*	$3,322*	$4,180*
Exports (f.o.b.)	145,468	168,268*	38,596	38,099*	10,969*	12,742*	14,388*
Imports (f.o.b.)	114,014	123,917*	31,003	29,142*	9,514*	9,420*	10,208*
Current Account Balance	20,799	35,024*	4,806	6,794*	800*	2,539*	3,455*
Long-Term Capital (net)	-17,700	-49,832*	-5,809	-10,596*	-3,322*	-2,206*	-5,068*
Overall Balance	5,177	-15,200	-3,070	-2,414	-2,368	143	-189
International Reserves (end of period)	24,496	26,313	25,109	26,538	26,539	26,244	26,538
Japan's Customs Clearance Trade							
Trade Balance	20,534	33,611	4,543	5,999*	462	2,367	3,170*
Exports (f.o.b.)	146,928	170,114	39,013	38,485*	11,059	12,923	14,503*
Cars	19,535	21,899	4,789	4,561*	1,675	1,564	1,321*
Steel	12,843	13,852	3,200	3,269*	929	1,022	1,318*
Imports (c.i.f.)	126,393	136,503	34,470	32,486*	10,596	10,557	11,333*
Crude Oil	40,063	39,379	10,854	9,722*	2,881	3,258	3,583*
Japan-U.S. Trade							
Trade Balance	18,181	33,075	5,818	6,571*	1,898	2,330	2,343*
Exports (f.o.b.)	42,829	59,937	12,501	13,341*	4,102	4,558	4,681*
Imports (c.i.f.)	24,648	26,862	6,684	6,770*	2,204	2,228	2,338*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	Y232.20	Y251.10	---	---	Y254.65	Y259.90	Y252.50
U.S.-Japan Trade							
Trade Balance	-19,289	-33,560	-7,311	-10,241	-3,869	-2,976	-3,396
Exports (f.a.s.)	21,894	23,575	5,695	6,252	2,100	1,824	2,328
Industrial Supplies	8,734	9,139	2,225	2,435	794	731	910
Food and Feed	5,555	5,929	1,477	1,214	479	359	376
Capital Goods	5,116	5,627	1,336	1,736	541	485	710
Consumer Goods	1,394	1,476	355	368	119	109	140
Imports (Customs)	41,183	57,135	13,006	16,493	5,969	4,800	5,724
Automotive Products	14,919	18,477	4,207	5,381	1,839	1,791	1,751
Industrial Supplies	5,391	7,276	1,779	1,866	668	556	642
Consumer Goods	8,296	11,266	2,517	3,449	1,336	867	1,246
Capital Goods	11,896	19,290	4,295	5,529	2,035	1,508	1,986

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1983	1984	January-February 1984	January-February 1985	December 1984	January 1985	February 1985
Discount Rate (end of period)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Outstanding Money Supply	7.4%	7.8%	7.7%	7.9%	7.8%	7.9%	7.9%
Industrial Production	3.6%	11.1%	11.5%	7.2%	8.9%	8.6%	5.8%
Manufacturing Operating Rate	1.6%	8.4%	10.0%	3.9%	4.4%	4.8%	3.1%
Number of Bankruptcies	11.9%	8.8%	21.1%	-7.4%	1.2%	-0.8%	-13.4%
Residential Construction Starts	-0.8%	4.4%	-4.3%	7.7%*	5.0%	9.9%	6.0%*
Job Openings to Applications (ratio)	0.60	0.65	0.64	0.69	0.66	0.69	0.68
Nominal Wages	3.5%	4.5%	3.6%	4.0%*	4.3%	4.7%	3.3%*
Labor Productivity	4.5%	10.0%	n.a.	n.a.	n.a.	n.a.	n.a.
Wholesale Prices	-2.2%	-0.3%	-1.3%	0.7%	0.4%	0.7%	0.8%
Consumer Prices	1.9%	2.2%	2.4%	2.2%	2.6%	2.9%	1.4%
Yen-Based Export Prices	-6.0%	0.6%	-0.6%	4.0%	2.7%	3.8%	4.2%
Yen-Based Import Prices	-7.8%	-3.4%	-6.7%	2.3%	0.1%	1.7%	2.9%

*Preliminary

For Japan's most recent GNP figures, see JEI Report No. 12B, March 29, 1985.